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Department of State

INCOMING TELEGRAM 106

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ACTION EA-12

INFO OCT-01 INR-10 EUR-12 EB-08 PM-09 SP-02 /054 W
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FM AMEMBASSY WELLINGTON
TO USINFO WASHDC IMMEDIATE
INFO SECSTATE WASHDC 2743
CINCPAC HONOLULU

UNCLAS WELLINGTON 03659

USICA

USICA FOR PGM/RC, PGM/P, PGM/FW, PGM/FN, VOA NEWS/CA,
STATE FOR EA/ANZ, CINCPAC FOR USICA ADVISOR

E012065: N/A
SUBJECT: MEDIA REACTION: "BUTTERBERG".

1. THE POSSIBILITY OF NEW ZEALAND PURCHASING A LARGE QUANTITY OF AMERICAN SURPLUS BUTTER REMAINS A MAJOR NEWS STORY IN NEW ZEALAND MEDIA. BOTH THE "OTAGO DAILY TIMES" AND THE "AUCKLAND STAR"SUPPORTED THE POSSIBLE PURCHASE IN JULY 13 EDITORIALS.

2. SAID THE "OTAGO DAILY TIMES":

"BUTTER MOUNTAINS ARE NOTHING NEW, BUT FOR NEW ZEALAND TO CONSIDER BUYING UP A HUGE QUANTITY OF THE AMERICAN SURPLUS IS CERTAINLY AN UNUSUAL MOVE. AND COMPLICATING IT IS THE POSSIBILITY THAT RUSSIA WOULD BE INVOLVED AT A LATER STAGE OF THE DEAL.

3. "NEW ZEALAND, ALREADY CONCERNED ABOUT A FLOOD OF THE BUTTER ON OTHER MARKETS, BEGAN SERIOUSLY TO CONSIDER THE PURCHASE OF PERHAPS 100,000 TONNES OF THE U.S. SURPLUS, NOT WITH THE IDEA OF MAKING MONEY, BUT OF MANAGING THE WORLD MARKET, AND MINIMISING THE IMPACT. THE BUTTER WOULD OBVIOUSLY NOT BE RESOLD TO RUSSIA, BUT WE CAN SPECULATE THAT IF IT IS PLACED ON OUR TRADITIONAL MARKETS, THEN IT WOULD ALLOW MORE OF OUR OWN BUTTER TO GO WHEREVER IT IS REQUIRED.

4. "THE SURPLUS BUTTER INVOLVES ABOUT $200 MILLION, WHICH WOULD BE A MAJOR INVESTMENT, BUT THERE ARE INDICATIONS THAT ANY DEAL COULD BE ARRANGED OVER A PERIOD, WITH QUANTITIES BEING MADE AVAILABLE AND PAID FOR ONLY AS MARKETS ARE FOUND. THIS WOULD RESOLVE MOST OF THE FINANCIAL RISK, AND IT MAKES THE WHOLE OPERATION WORTH PURSUING UNLESS SOME FIRM ALTERNATIVE PLAN CAN BE DRAWN UP TO PROTECT WHAT IS, AFTER ALL, A RELATIVELY SMALL WORLD MARKET, BUT OF VITAL CONCERN TO NEW ZEALAND."

5. THE "AUCKLAND STAR" SAID:

"LAYMEN WILL NO DOUBT BE PUZZLED BY THE NEWS THAT WE MAY NOW BUY UP TO 100,000 TONNES OF THE AMERICAN SURPLUS. DON'T WE HAVE ENOUGH TROUBLE SELLING OUR OWN PRODUCE?

6. "ON THE OTHER HAND, SINCE WE ARE THE WORLD'S BIGGEST DEALERS IN BUTTER, IT MUST BE TO OUR ADVANTAGE TO CONTROL THE GAME AS MUCH AS POSSIBLE, AS TO SUPPLY AND PRICE. AND IT IS FEARED THAT IF THE UNITED STATES UNLOADED ITS 200,000-TONNE SURPLUS ABROAD, WORLD PRICES COULD COLLAPSE. CLEARLY, THE SIZE OF THEUSBUTTERBERG IS A THREAT.

7. "SO NEW ZEALAND INTEREST IN BUYING UP TO HALF THE SURPLUS SEEMS TO MAKE SENSE, IF THE PRICE AND QUALITY ARE RIGHT. THE TRANSACTION WOULD NO DOUBT BE PROFITABLE, WE WOULD BE RETAINING SOME CONTROL OVER THE MARKET AND WE WOULD BE DOING OUR BIG FRIEND AND ALLY A FAVOR."BELL

FPD

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